

093448

B-164031(1)

F-13-72



Selected Findings From Reports Issued
In Fiscal Years 1970, 1971, And 1972
Dealing With Inadequate Grant
And Contract Monitoring
By Federal Agencies B-164031(1)

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

093448

~~713460~~

SEPT. 13, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

B-164031(1)

Dear Mrs Green

In accordance with your request of May 8, 1972, we have prepared a listing of General Accounting Office reports which cited inadequacies in contract or grant monitoring by Federal agencies (See app. I) These reports were issued to the Congress by the General Accounting Office during fiscal years 1970, 1971, and 1972.

We have also prepared summaries of the report findings relating to grant- and contract-monitoring deficiencies (See app II) For the most part the summaries do not reflect all reported findings, conclusions, and recommendations in the reports but are limited to those dealing with your specific area of concern

We trust that the enclosed information will be of assistance to you Should you desire, copies of the original reports will be provided to you

Sincerely yours,

A handwritten signature in dark ink, appearing to read "A. G. Kellum", is positioned above the typed name of the Acting Comptroller General.

Acting Comptroller General
of the United States

The Honorable Edith Green
House of Representatives

GAO REPORTS CITING INADEQUACIES
IN CONTRACT OR GRANT MONITORING BY
FEDERAL AGENCIES

FISCAL YEARS 1970, 1971, AND 1972

REPORTS ISSUED DURING FISCAL YEAR 1970

1. Department of State

U.S. Financial Participation in the United Nations Children's Fund	B-166780 7-8-69
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2. Office of Economic Opportunity

Effectiveness and Administration of the Community Action Program under Title II of the Economic Opportunity Act of 1964, Phoenix, Arizona	B-130515 7-22-69
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3 Office of Economic Opportunity

Effectiveness and Administration of the Atterbury Job Corps Center for Men under the Economic Opportunity Act of 1964, Edinburg, Indiana	B-130515 7-23-69
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4. Office of Economic Opportunity

Effectiveness and Administration of the Albuquerque Job Corps Center for Women Under the Economic Opportunity Act of 1964, Albuquerque, New Mexico	B-130515 7-24-69
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5. Office of Economic Opportunity

Effectiveness and Administration of the Community Action Program Under Title II of the Economic Opportunity Act of 1964, Lake County, Indiana	B-130515 8-1-69
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Effectiveness and Administration of the Community Action Program Under Title II of the Economic Opportunity Act of 1964, Human Development Corporation, St. Louis City and St. Louis County, Missouri	B-130515 8-11-69
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7. Office of Economic Opportunity

Effectiveness and Administration of the Migrant and Seasonal Farmworkers Program under Title IIIB of the Economic Opportunity Act of 1964, Phoenix, Arizona	B-130515 8-26-69
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8. Office of Economic Opportunity

Effectiveness and Administration of the Community Action Program under Title II of the Economic Opportunity Act of 1964, Detroit, Michigan	B-130515 9-25-69
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9. Department of Labor

Effectiveness and Administrative Efficiency of the Concentrated Employment Program Under Title IB of the Economic Opportunity Act of 1964, Los Angeles, California	B-130515 10-24-69
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10. Department of the Army

Survey of NIKE-X Antiballistic Missile Development Program Indicates Need for Management Improvements	B-164250 11-28-69
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11. Office of Economic Opportunity

Effectiveness and Administration of the Community Action Program Under Title II of the Economic Opportunity Act of 1964, Chicago, Illinois	B-130515 12-4-69
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- 12 Department of State
Agency for International Development

Observations on AID's Administration of the Excess Property Program in Kenya and Pakistan B-146995
12-5-69
- 13 Department of Health, Education, and Welfare

Opportunities to Improve Management of Primate Research Centers Supported by the National Institutes of Health B-164031(2)
12-5-69
14. Department of Housing and Urban Development

Administration of the Leased-Housing Program B-118718
2-4-70
- 15 Department of Defense
National Aeronautics and Space Administration
Atomic Energy Commission

Allowances for Independent Research and Development Costs in Negotiated Contracts--Issues and Alternatives B-164912
2-16-70
16. Department of State

Management Improvements Needed in U.S. Financial Participation in the United Nations Development Program B-168767
3-18-70
17. Office of Economic Opportunity
Department of Labor

Need for Improvements in Financial Administration by the Action for Bridgeport Community Development, Inc., Bridgeport, Connecticut B-130515
3-23-70

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18. Department of Housing and Urban Development

Need to Strengthen Concrete Inspections and Testing Requirements in the Construction of Low-Rent Public Housing Projects	B-118718 3-24-70
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19. Feasibility of Using "Should Cost" Concepts in Government Procurement and Auditing

B-159896
5-20-70

20. Department of the Interior Bureau of Indian Affairs

Administration of Program for Aid to Public School Education of Indian Children Being Improved	B-161468 5-28-70
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21. Department of the Army Department of the Air Force

Opportunities for Improvement in Management of Government Materials Provided to Overseas Contractors	B-140389 6-17-70
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REPORTS ISSUED DURING FISCAL YEAR 1971

1. Department of Agriculture
Farmers Home Administration

Savings Available to the Government by
Timing Advances of Loan and Grant Funds
With Actual Cash Requirements B-114873
7-6-70
2. Department of Defense
National Aeronautics and Space Adminis-
tration

Need to Improve Effectiveness of Con-
tractor Procurement System Review B-169434
8-18-70
3. Problems in Developing the Atomic Energy
Commission's Fast Flux Test Facility B-164105
9-23-70
4. Veterans Administration

Need to Determine the Most Economical
Method for Obtaining Maintenance and Re-
pair of Office Machines B-160419
10-5-70
5. Department of Labor

The Special Impact Program in Los Angeles
is Not Meeting Goal of Providing Jobs for
the Disadvantaged B-168560
10-7-70
6. Department of Health, Education, and Wel-
fare
Social and Rehabilitation Service

Improvement Needed in the Administration
of the Iowa and Kansas Medicaid Programs
by the Fiscal Agents B-164031(3)
10-20-70
7. Department of Labor

Need to Enhance the Effectiveness of On-
The-Job Training in Appalachian Tennessee B-146879
11-13-70

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8. Department of State
Department of Labor
Department of Commerce
- U.S. Participation in the International
Labor Organization Not Effectively Man-
aged B-168767
12-22-70
9. Department of Health, Education, and Wel-
fare
Social Security Administration
- Improvements Needed in Processing Medi-
care Claims for Physicians' Services in
Texas B-164031(4)
12-31-70
10. Department of Labor
Department of Health, Education, and Wel-
fare
- Opportunities for Improving Training Re-
sults and Efficiency at the East Bay
Skills Center, Oakland, California, under
the Manpower Development and Training Act B-146879
2-10-71
11. Department of Labor
- Evaluation of Results and Administration
of the Job Opportunities in the Business
Sector (JOBS) Program in Five Cities B-163922
3-24-71
12. Department of Defense
- Improvements Being Made in the Controls
Over Government Test Equipment Acquired
by Contractors B-140389
4-9-71
13. Department of Defense
- Financial Capability of Lockheed Aircraft
Corporation to Produce C-5A Aircraft B-169300
4-12-71

14. Department of the Army
Department of the Navy
- Measures Needed to Ensure Compliance with
Contract Specifications in Construction
of Military Facilities B-171496
4-16-71
15. Department of Agriculture
Farmers Home Administration
- Financial Feasibility of Rural Water and
Sewer Systems Should Be Checked More
Thoroughly B-114873
4-21-71
16. Department of Housing and Urban Develop-
ment
- Controls Needed Over the Leasing of Land
Acquired Under the Open-Space Land Pro-
gram B-168174
6-16-71

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REPORTS ISSUED DURING FISCAL YEAR 1972

1. Department of Health, Education,
and Welfare
Office of Economic Opportunity

Opportunities for Improving the Southern
Monterey County Rural Health Project,
King City, California B-130515
7-6-71
2. Department of Health, Education,
and Welfare
Health Services and Mental
Health Administration

The Community Mental Health Centers
Program--Improvements Needed in
Management B-164031(2)
7-8-71
3. Department of Defense

Audit of Payments from Special
Fund to Lockheed Aircraft Corporation
For C-5A Aircraft Program B-162578
8-9-71
11-17-71
2-18-72
5-30-72
4. Department of Health, Education,
and Welfare
Office of Education

Need for Improving the
Administration of Study
and Evaluation Contracts B-164031(1)
8-16-71
5. Office of Economic Opportunity

Development of Minority Businesses
and Employment in the Hough Area of
Cleveland, Ohio, Under the Special
Impact Program B-130515
8-17-71
6. Department of Health, Education,
and Welfare

Weaknesses in School Districts
Implementation of the Emergency
School Assistance Program

B-164031(1)
9-29-71

7. Office of Economic Opportunity

Improvements Needed in the
Administration of Contracts
for Evaluations and Studies
of Antipoverty Programs

B-130515
12-28-71

8. Department of the Navy

Review of Controls over Shipyard
Costs and Procurement Practices of
Newport News Shipbuilding and Dry
Dock Company, Newport News, Virginia

B-133170
1-13-72

9. Department of Labor
Department of Health, Education,
and Welfare

Improvements Needed in
Manpower Training at
the Boston Skills Center

B-146879
3-21-72

10. Department of the Navy

Controls Over Shipyard Costs
and Procurement Practices of
Litton Industries, Inc.,
Pascagoula, Mississippi

B-133170
3-23-72

11. Office of Economic Opportunity

Improvements Needed in Training
and Technical Assistance Services
Provided to Antipoverty Agencies

B-130515
4-26-72

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SUMMARIES OF GAO REPORT FINDINGS
CONCERNING CONTRACT AND GRANT MONITORING
BY FEDERAL AGENCIES

FISCAL YEARS 1970, 1971, AND 1972

REPORTS ISSUED DURING FISCAL YEAR 1970

1. Department of State

U S Financial Participation in	B-166780
the United Nations Children's Fund	7-8-69

U.S. funds to the United Nations Children's Fund (UNICEF)--whose primary function is to assist governments in underdeveloped areas of the world in establishing long-range health, education, and welfare programs for children and mothers--are given, in part, on a grant basis. The Department of State has the responsibility for overseeing the U.S. contributions. The General Accounting Office (GAO) noted that the Department of State was not obtaining adequate information for the purpose of (1) reviewing proposed UNICEF projects, (2) monitoring continuing projects, and (3) evaluating project performance. As a result GAO recommended that the Department of State (1) seek necessary information and make analyses of proposed UNICEF projects, (2) elicit from UNICEF more complete and meaningful operational data for monitoring purposes, and (3) solicit periodic evaluation of UNICEF projects from U.S. overseas posts until a means for internationally constituted evaluations was developed.

2 Office of Economic Opportunity

Effectiveness and Administration of	B-130515
the Community Action Program Under	7-22-69
Title II of the Economic Opportunity	
Act of 1964,	
Phoenix, Arizona	

GAO's report resulted from a review of the Community Action Program administered by the Phoenix Commission on

Leadership and Education for the Advancement of Phoenix GAO noted a general administrative weakness for several programs, including Head Start, operated under Community Action Program auspices and concluded that (1) the Commission had not provided health services to a large number of eligible children, (2) the Commission and its delegate agencies had not established adequate followup procedures to insure that children registered for examinations had received them, and (3) the Commission's practice of providing examinations at doctors' offices had incurred increased costs to the program. GAO recommended, among other things, that the Office of Economic Opportunity (OEO) closely monitor the Commission's administration of the Head Start health service program.

3 Office of Economic Opportunity

Effectiveness and Administration of the	B-130515
Atterbury Job Corps Center for Men under	7-23-69
the Economic Opportunity Act of 1964,	
Edinburg, Indiana	

GAO examined the administrative efficiency of, and attainment of objectives by, the Atterbury Job Corps Center for Men, operated for OEO by Westinghouse Learning Corporation under a cost-plus-fixed-fee contract. A number of instances reported by GAO indicated a lack of administrative efficiency and/or effectiveness, such as (1) the Center's counseling program was not meeting its objectives, (2) the Center's controls over supply and equipment inventories were not adequate, and (3) the Center had not established adequate controls over vehicle needs and uses. GAO recommended that OEO implement review procedures in these areas.

4 Office of Economic Opportunity

Effectiveness and Administration of the	B-130515
Albuquerque Job Corps Center for Women	7-24-69
Under the Economic Opportunity Act of 1964	

GAO reviewed the administrative efficiency of, and goal attainment by, the Albuquerque Job Corps Center for Women, operated for OEO by Packard Bell Electronic

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Corporation under a cost-plus-fixed-fee contract GAO's report noted that (1) a number of graduates had not participated in and/or completed all required courses and (2) feasibility studies had not been conducted prior to acquisition of certain training equipment. GAO recommended that, to correct these weaknesses, OEO (1) review the adequacy of the Center's graduation criteria and conduct periodic reviews to insure that the Center adhered to these criteria and (2) provide for periodic review of equipment utilization by the Center.

5. Office of Economic Opportunity

Effectiveness and Administration of
the Community Action Program under
Title II of the Economic Opportunity
Act of 1964,
Lake County, Indiana

B-130515
8-1-69

GAO reported on a review of the administration and effectiveness of the Community Action Program in Lake County, Indiana, administered by the Community Action Agency, Lake County Economic Opportunity Council, Inc. GAO noted an inadequacy of program evaluation by the grantee and OEO, particularly because the grantee's monthly reports (1) varied in their form and content, (2) were not based on predetermined standards of performance, and (3) sometimes contained inaccuracies and inconsistent data. In addition, the grantee had not studied a consultant's evaluation report containing recommendations for improving the grantee's efficiency and effectiveness. Among other things, GAO recommended that OEO provide assistance to the grantee and monitor its implementation of evaluation requirements.

6. Office of Economic Opportunity

Effectiveness and Administration
of the Community Action Program
under Title II of the Economic
Opportunity Act of 1964
Human Development Corporation,
St. Louis City and St. Louis
County, Missouri

B-130515
8-11-69

GAO examined the administrative efficiency and goal attainment of the Community Action Program carried out in St. Louis and St. Louis County by the Human Development Corporation. GAO reported that the corporation had not adequately met its responsibilities for establishing and implementing administrative policies and procedures governing accounting, auditing, personnel, and related management areas. A significant contributing factor to this inadequacy appeared to have been a lack of adequate monitoring by OEO and by the corporation's internal staff. As a result GAO recommended that OEO take action to provide closer surveillance over the administration of Community Action Programs by agencies.

7 Office of Economic Opportunity

Effectiveness and Administration of the
Migrant and Seasonal Farmworkers Program
under Title III-B of the Economic Opportunity
Act of 1964,
Phoenix, Arizona

B-130515
8-26-69

GAO's report pertained to the administrative efficiency of, and the achievement of objectives by, the Migrant Opportunity Program which was funded through grants under the OEO Migrant and Seasonal Farmworkers program. From samples of participants in two component programs--child development and education--GAO determined that a majority of the sample participants had not been eligible under criteria established by OEO. As a result GAO recommended that OEO take action to (1) clarify the eligibility criteria for the Migrant Opportunity Program, (2) monitor the progress of the action taken by the program to bring about closer adherence to eligibility

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requirements, and (3) require the program to clarify operating procedures to provide for the uniform application of program policies in the child development and education components

8. Office of Economic Opportunity

Effectiveness and Administration	B-130515
of the Community Action Program	9-25-69
Under Title II of the Economic	
Opportunity Act of 1964,	
Detroit, Michigan	

GAO's report pertaining to the effectiveness and administration of the Detroit Community Action Program, carried out by the Mayor's Committee for Human Resources Development, noted weaknesses in (1) evaluations of the program by OEO and the committee and (2) the financial management system utilized by the committee. As a result of the latter weakness (1) program transactions were reported to OEO on a cash, rather than accrual, basis, (2) monthly financial reports were not submitted on a timely basis, and (3) surveillance of the committee's delegate agencies was not adequate. Although the committee was in the process of implementing improvements in its operations, GAO recommended that OEO (1) increase its evaluation efforts of the Detroit Community Action Program, (2) assist the committee in its efforts to implement improvements, (3) evaluate the adequacy of actions taken by the committee, and (4) more closely monitor the Detroit program in the future.

9. Department of Labor

Effectiveness and Administrative	B-130515
Efficiency of the Concentrated	10-24-69
Employment Program Under Title IB	
of the Economic Opportunity Act	
of 1964,	
Los Angeles, California	

GAO's report pertained to the Concentrated Employment Program in Los Angeles--a program designed to combine, under one contract and one sponsor, all the manpower

programs and services necessary to help unemployed and low-income persons obtain and hold regular employment. GAO reported that the sponsor of the program (1) had not met its first-year objective of placing in jobs 2,400 of 3,450 enrollees and (2) had incurred a high absentee and premature termination rate in its program's basic education component which operated at two South Los Angeles skill centers. Achievement of Concentrated Employment Program objectives was hindered, in large measure, by administrative weaknesses on the part of the Los Angeles program. GAO concluded that more effective monitoring by the Department of Labor could have resulted in prevention or early correction of the above-noted weaknesses. Since the limited monitoring efforts were primarily due to limited staffing in the Department's field office, GAO recommended that the Department consider whether additional staff could be provided to effectively monitor the program in Los Angeles.

10. Department of the Army

Survey of NIKE-X Antiballistic Missile	B-164250
Development Program Indicates Need for	11-28-69
Management Improvements	

GAO's objective in this report was to acquire an understanding of, and to make limited tests of, the management techniques being used in the development of the NIKE-X antiballistic missile development program. GAO reported that a basic problem existed concerning the adequacy of the Government's control over the prime contractor's technical and administrative management of the weapon system development program, including inadequacies in (1) the Government's evaluation of contractor proposals and (2) records of negotiations between the prime contractor and major subcontractors, which were used for the purposes of audit and review by Government officials. Since the Army had planned, or was planning, to take actions to implement corrections in these areas, GAO recommended that the Secretary of Defense monitor the Army's progress in implementing the new practices.

11 Office of Economic Opportunity

Effectiveness and Administration of
the Community Action Program under
Title II of the Economic Opportunity
Act of 1964,
Chicago, Illinois

B-130515
12-4-69

GAO's report represented a followup review of corrective actions taken by OEO and the Chicago Community Action Agency as a result of findings and recommendations in a prior GAO report (B-163595, May 20, 1968) which pertained to administration of the Community Action Program. The report on the followup review noted that (1) non-Federal contributions to the Chicago Community Action Agency had been inadequately documented or of questionable allowability, (2) budgets submitted by the agency and approved by OEO had included unrealistically high estimates of funds required, (3) the agency had understated estimated expended Federal funds, and (4) the agency had paid some starting employees salaries that exceeded OEO guidelines. GAO recommended that OEO and its regional offices more closely monitor the Chicago Community Action Agency with regard to the above findings.

12 Agency for International Development

Observations on AID's Administration
of the Excess Property Program in
Kenya and Pakistan

B-146995
12-5-69

GAO's report concerned an examination of the administration by the Agency for International Development (AID) of the excess property program--a program to distribute excess properties to other countries as part of AID's economic assistance program. GAO's review showed that there was a continuing need for in-country management of the excess property program by AID. Necessary areas of improvement noted by GAO included (1) evaluating prospective recipient countries' capabilities to maintain and utilize excess property, (2) performing periodic inspections of recipient countries' maintenance and utilization of property, and

(3) performing periodic audits of the program in sufficient depth to reveal the extent of needed improvements

13 Department of Health, Education,
and Welfare

Opportunities to Improve Management
of Primate Research Centers Supported
by the National Institutes of Health

B-164031(2)
12-5-69

GAO reviewed the management of four primate research centers which were funded by National Institute of Health grants totaling \$38 million. In its report GAO noted several managerial weaknesses, including the failure to fully utilize a colony of great apes valued at \$325,000, and the questionable use of operating grant funds for construction purposes. GAO concluded that the above weaknesses might have been disclosed had the Department of Health, Education, and Welfare (HEW) provided for systematic, independent audits of the primate research centers' operations.

14 Department of Housing and
Urban Development

Administration of the
Leased-Housing Program

B-118718
2-4-70

GAO examined the operation of the Leased-Housing Program which was established to assist low-income persons obtain decent, safe, and sanitary housing. The program is administered through a contractual relationship between the Department of Housing and Urban Development (HUD) and local housing authorities. GAO reported, among other things, that (1) leasing programs at some locations had not progressed as fast or effectively as expected, (2) certain restrictions on leasing arrangements that were imposed by HUD and local housing authorities had impeded progress of the program, and (3) in many cases the local housing authorities had negotiated higher rates for dwelling units than had been charged the occupants prior to their participation in the program. GAO recommended that HUD conduct reviews

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of local housing authority leasing operations and give special attention to these types of deficiencies.

15. Department of Defense
National Aeronautics and Space
Administration
Atomic Energy Commission

Allowances for Independent Research	B-164912
and Development Costs in Negotiated	2-16-70
Contracts--Issues and Alternatives	

GAO examined into the increasing costs to the Government for its participation in independent research and development programs--defined as that part of a contractor's total research and development program which is not conducted under a direct contract but which is undertaken in areas at the discretion of the contractor. GAO's study noted that the military services had not used uniform procedures or practices in administering independent research and development programs. As a result GAO suggested that the Department of Defense (DOD) devise uniform procedures for administering such programs, including (1) prenegotiation arrangements, (2) brochure requirements, and (3) the scope and nature of technical evaluations.

16. Department of State

Management Improvements	B-168767
Needed in U.S. Financial Participation	3-18-70
in the United Nations Development Program	

GAO reviewed the responsibilities of the Department of State in connection with the U.N. Development Program--a program established to assist technical, economic, and social development in less developed countries. GAO's report indicated that there was a need for vigorous efforts on the part of the Department of State to improve its administration of U S financial participation in the program. GAO's report included recommendations that the Department of State (1) improve the effectiveness of U.S. appraisals of proposed and continuing projects and (2) encourage the establishment of a single U N -wide review

body to provide effective and independent evaluation
of U N activities

17. Office of Economic Opportunity
Department of Labor

Need for Improvements in	B-130515
Financial Administration by	3-23-70
the Action for Bridgeport	
Community Development, Inc ,	
Bridgeport, Connecticut	

In a review of grants operated under the Community Action Program, the Neighborhood Youth Corps program, and the Concentrated Employment Program, GAO reported weaknesses in the Bridgeport Community Action Agency's control over, and administration of, funds GAO could not determine the propriety of many of the expenses Because many of GAO's findings had been previously identified during audits by OEO and certified public accountants, GAO recommended closer surveillance over the grantee's activities, including more effective followup to insure correction of weaknesses revealed by audits

18 Department of Housing and Urban Development

Need to Strengthen Concrete Inspection and	B-118718
Testing Requirements in the Construction of	3-24-70
Low-Rent Public Housing Projects	

GAO reported that HUD construction representatives and local housing authority inspectors had not enforced construction contract requirements regarding concrete testing for concrete used in constructing low-rent public housing projects HUD furnished financial assistance to local housing authorities for developing and constructing low-rent public housing projects

Project construction site visits by HUD inspectors were found to be relatively infrequent and of short duration GAO recommended that more effective use be made of HUD's construction representatives during their periodic visits to low-rent housing construction

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projects by having them place greater emphasis on determining whether on-site inspections by the local housing authorities were adequate for insuring compliance with contract specifications.

19. Feasibility of Using "Should
Cost" Concepts in Government
Procurement and Auditing

B-169896
5-20-70

GAO examined into the feasibility of applying "should cost" analyses--an approach which seeks to determine the amount that weapons systems or products ought to cost, given attainable efficiency and economy of operation--to Government procurement and auditing. GAO reported that, for the most part, cost analyses of contractor proposals and subsequent price negotiations were based upon historical costs rather than upon costs that would reasonably be incurred. As a result GAO concluded that should-cost analyses could be used to advantage on a selective basis (1) in preaward evaluations of contractor's price proposals and (2) on a postaward basis to provide the Government with, among other things, valuable data on contractors performance and cost consciousness.

20. Department of the Interior
Bureau of Indian Affairs

Administration of Program for
Aid to Public School Education
of Indian Children Being Improved

B-161468
5-28-70

In a report concerning contracts maintained by States and school districts, GAO questioned whether all other sources of revenue had been exhausted prior to use of funds authorized under the Johnson-O'Malley program--a program to provide funds toward certain costs of educating Indian children enrolled in public schools but living on reservations. GAO concluded that the Bureau of Indian Affairs had delegated administration of the program (1) without providing sufficient guidance for administering the program and (2) without systematically monitoring State agency operations through adequate reporting and review. As a result GAO recommended that

the Bureau of Indian Affairs implement additional methods of supervision and control over the distribution and use of funds by the school districts

- 21 Department of the Army
Department of the Air Force

Opportunities for Improvement in	B-140389
Management of Government Materials	6-17-70
Provided to Overseas Contractors	

GAO reviewed the management of materials which were supplied by DOD to five overseas contractors. In its report GAO noted that inadequate administration of Government property by the contractors and the military services had resulted in unnecessary investments in inventories, increased transportation costs, possible unnecessary procurements, or shortages of materials at some locations. GAO recommended that the Secretary of Defense take appropriate action to monitor the implementation of planned actions by the military services to insure that satisfactory progress was being made to improve the quality of property management.

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REPORTS ISSUED DURING FISCAL YEAR 1971

1. Department of Agriculture Farmers Home Administration

Savings Available to the Government	B-114873
by Timing Advances of Loan and Grant	7-6-70
Funds with Actual Cost Requirements	

GAO's review was made to determine whether loan and grant funds under the water and sewer program of the Farmers Home Administration (FHA) were being advanced to public and nonpublic associations in accordance with the Government's policy to limit advances of such funds to amounts needed to meet current requirements. GAO found that FHA's practice had been to advance funds without consideration of the associations' cash requirements. Among other things, GAO suggested (1) that FHA establish a program for systematically monitoring advances of loan and grant funds to associations to provide assurances that the loans and grants were made in accord with the associations' needs and (2) that associations furnish FHA with periodic estimates of project expenditures and that FHA county supervisors review these estimates to determine amounts of cash to be advanced.

2. Department of Defense National Aeronautics and Space Administration

Need to Improve Effectiveness of	B-169434
Contractor Procurement System Reviews	8-18-70

GAO's review was concerned with the effectiveness of DOD's contractor procurement system review procedures--the mechanism for reviewing a prime contractor's purchasing and subcontracting procedures and practices. GAO reported that there was a need for (1) DOD's motivation of contractors having unacceptable procurement systems to make needed improvements, (2) DOD's revision of its criteria for including contractors in the system review program, (3) definitive standards for the approval or disapproval of contractor procurement systems, (4) greater discretion in scheduling detailed annual reviews, and (5) fuller utilization of review reports as a means of improving review performance. Among

other things, GAO suggested that DOD use its internal audit organization to monitor the use made by the services of reports on reviews of contractor procurement systems.

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| 3. Problems in Developing the | B-164105 |
| Atomic Energy Commission's | 9-23-70 |
| Fast Flux Test Facility | |

GAO's report on its review of the development of the Fast Flux Test Facility by the Atomic Energy Commission's (AEC) contractor-operated Pacific Northwest Laboratory noted significant delays in the Test Facility's development. GAO concluded that the delays resulted from (1) the failure of the Laboratory to establish capabilities sufficient for developing the complex project and (2) the inability of AEC to effectively bring about changes in organization and design approaches identified by AEC and the Laboratory. Among other things, GAO suggested that AEC review its organization and all levels of contractor and Laboratory management involved in the project, to strengthen the communication and technical review channels in the development of this high-priority project.

4. Veterans Administration

- | | |
|---------------------------------------|----------|
| Need to Determine the Most Economical | B-160419 |
| Method for Obtaining Maintenance and | 10-5-70 |
| Repair of Office Machines | |

GAO reported that the Veterans Administration (VA) could achieve savings of as much as \$400,000 if the contracts for the servicing of office machines had been awarded on a per call basis rather than under annual maintenance contracts. GAO stated that VA field stations which awarded the office machine services contracts made no cost- or use-factor studies to determine the most economical service method to be used. GAO recommended, among other things, that VA require its field stations to determine the most economical maintenance and repair service method and to establish appropriate followup procedures to insure that field stations complied with such requirements.

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5. Department of Labor

The Special Impact Program in
Los Angeles is Not Meeting Goal
of Providing Jobs for the
Disadvantaged

B-168560
10-7-70

GAO reported that programs maintained by 10 Los Angeles contractors, who had been awarded \$8.9 million under the Special Impact program--a program to provide for the development of employment opportunities for hard-core unemployed or underemployed persons by private contractors--had fallen far short in providing jobs for the disadvantaged. GAO stated that the program could have been effective with proper planning, careful selection of contractors, and adequate monitoring by the Department of Labor. GAO recommended, among other things, that the Department adequately monitor contractor activities, especially during the initial stages of the program period.

6. Department of Health, Education, and Welfare Social and Rehabilitation Service

Improvement Needed In the
Administration of the Iowa
and Kansas Medicaid Programs
by the Fiscal Agents

B-164031(3)
10-20-70

In a report concerning contracts between the States and the fiscal agents that provided administrative assistance for the Medicaid program, GAO noted that (1) weaknesses existed in administration by fiscal agents and (2) program monitoring by the State agencies and HEW was inadequate. As a result of these findings, GAO reported the need for improved monitoring (1) by State agencies to insure that the fiscal agency fulfilled their contractual responsibilities on a timely and effective basis and (2) by HEW to insure efficient administration of the Medicaid programs in accordance with approved State plans and Federal policies and regulations.

7. Department of Labor

Need to Enhance the Effectiveness	B-146879
of On-The-Job Training in	11-13-70
Appalachian Tennessee	

GAO reviewed Department of Labor training activities authorized under the Manpower Development and Training Act--one function of which was to provide on-the-job training for unemployed or underemployed persons who could not be expected to secure full-time employment without such training. GAO reviewed contracts with two community agencies in Appalachian Tennessee. For a majority of subcontractors (employers) visited, GAO reported that Federal funds were being dissipated in a program that was accomplishing nothing of significance beyond that accomplished by the normal training and recruiting practices of the employers. GAO concluded that the program weaknesses resulted primarily from inadequate implementation of control procedures. As a result GAO recommended that the Secretary of Labor provide for improved monitoring of and guidance to community agencies and their subcontractors.

8. Department of State
Department of Labor
Department of Commerce

U.S. Participation in the International	B-168767
Labor Organization Not Effectively Managed	12-22-70

GAO examined into the responsibilities of the Department of State for directing and coordinating U.S. financial participation in the International Labor Organization--whose objective was to raise labor standards and improve working conditions throughout the world. GAO noted that, although U.S. contributions had increased steadily, the Department of State could not give assurance they were being used effectively and efficiently or that U.S. interests were being served by the expenditure of the funds. GAO noted also that U.S. personnel had not determined whether program objectives had been effectively pursued and met.

GAO recommended that the Department of State obtain and analyze more complete information with regard to

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International Labor Organization budgets, project proposals, and operations.

9. Department of Health, Education, and Welfare Social Security Administration

Improvements Needed in Processing	B-164031(4)
Medicare Claims for Physicians'	12-31-70
Services in Texas	

Under a contract with the Social Security Administration, Texas Blue Shield processed and paid claims for physicians services in Texas under the Medicare Program. GAO estimated that weaknesses in Texas Blue Shield's claims-processing procedures had led to payments of (1) \$1 million in excess of reasonable charges, (2) duplicate claims totaling about \$1 million, and (3) \$15 million without adequate determination as to reasonableness of charges. Among GAO's recommendations was that HEW provide for more effective surveillance by the Social Security Administration of claims-processing activities of contractors.

10. Department of Labor Department of Health, Education, and Welfare

Opportunities for Improving Training Results	B-146879
and Efficiency at the East Bay Skills Center,	2-10-71
Oakland, California, under the Manpower	
Development and Training Act	

The Manpower Development and Training Act provides for the training of unemployed or underemployed persons who cannot be expected to secure full-time employment without such training. The Department of Labor and HEW have established manpower training skills centers to carry out the institutional training program.

GAO reviewed the activities of the East Bay Skills Center in Oakland, California, and found that (1) the center was serving only 33 percent of the number it had been designed to serve, (2) center facilities were not being fully used, (3) participants frequently had not met the enrollment criterion that a person be in need of training to obtain employment, and (4) the local employment security agency had

not developed needed information on the status of trainees who left the center for employment and did not provide any followup services. GAO concluded that these administrative weaknesses could have been identified and corrected earlier through more appropriate and timely monitoring by the two Departments and their State counterparts.

11. Department of Labor

Evaluation of Results and	B-163922
Administration of the Job	3-24-71
Opportunities in the Business	
Sector (JOBS) Program in	
Five Cities	

GAO reported that the Department of Labor's failure to scrutinize contractor performance had perpetuated many of the following identified problems: (1) enrollees in the Concentrated Employment Program had not always been given first priority in filling openings in the JOBS program, (2) for 17 of 31 contracts reviewed, the contractors had provided fewer services than those required and compensated for under the contracts, and (3) for 16 of 29 contracts reviewed, both overpayments and underpayments had been due, for the most part, to contractor misunderstandings of the billing procedures.

12. Department of Defense

Improvements Being Made in the	B-140389
Controls over Government Test Equipment	4-9-71
Acquired by Contractors	

GAO examined into the extent to which plant equipment utilized by contractors had been inappropriately classified as special test equipment. Although plant equipment was furnished by the contractor, the cost and responsibilities of ownership of special test equipment was borne directly by the Government. GAO reported that significant quantities of plant equipment--about \$12 million worth--had been acquired as special test equipment but should have been provided through private investment. Among other things, GAO suggested that the Secretary of Defense require contracting officers to review proposals for special test equipment, to insure that plant equipment was not included.

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13. Department of Defense

Financial Capability of Lockheed	B-169300
Aircraft Corporation to Produce	4-12-71
C-5A Aircraft	

GAO reviewed financial data submitted to the Office of the Secretary of Defense by the Lockheed Aircraft Corporation. The objective of the review was to examine into the financial capability of Lockheed to manufacture and deliver C-5A aircraft. Subject to the qualification that GAO was unable to express an opinion as to the accuracy and reliability of the companywide financial forecast, GAO concluded that Lockheed did not have sufficient financial resources to complete the C-5A program without Government assistance. GAO recommended that DOD establish close surveillance over Lockheed's activities to insure that conditions which resulted in previous cost growth and financial difficulties had, to the extent possible, been corrected and were not likely to recur.

14. Department of the Army Department of the Navy

Measures Needed to Ensure	B-171496
Compliance with Contract Specifications	4-16-71
in Construction of Military Facilities	

GAO reviewed the inspection procedures of the Army Corps of Engineers and the Naval Facilities Engineering Command to ensure that construction was in accordance with contract specifications. GAO reported that a number of military facilities accepted by the Government or completed had not been built in compliance with contract requirements. As a result the facilities were not fully satisfactory and/or the Government had to spend additional time and effort having deficiencies corrected. GAO recommended that the Secretaries of the Army and the Navy have the two construction agencies (1) systematically monitor field offices' enforcement of contractor quality control programs, (2) review and, if necessary, correct inspection-reporting practices of field offices, and (3) improve training programs for inspections for the Army and establish such programs for the Navy.

15. Department of Agriculture
Farmers Home Administration

Financial Feasibility of Rural Water	B-114873
and Sewer Systems Should be Checked	4-21-71
More Thoroughly	

GAO reported several deficiencies relating to FHA's procedures and practices for determining the financial feasibility of proposed water and sewer systems prior to approval of loans and grants. GAO recommended that loan-approval officials verify and document certain information before providing financial assistance. GAO recommended also that FHA establish procedures for determining, on a systematic basis, whether associations receiving grants and loans were enforcing agreements made with prospective system users.

16. Department of Housing and Urban Development

Controls Needed Over the Leasing	B-168174
of Land Acquired Under the Open-	6-16-71
Space Land Program	

In a review of 21 open-space land projects, GAO reported that, in 92 percent of the sample cases, the grantees had not obtained HUD's approval prior to leasing lands acquired under the Open-Space Land program--a program to acquire and/or develop land to, among other things, help curb urban sprawl and preserve conservation, scenic, and historic land areas. The revenue received by the grantees under lease agreements made for the 21 open-space land projects reviewed totaled about \$714,000.

GAO stated that HUD had not established procedures for insuring that grantees would obtain HUD's approval and had not provided guidelines for the use of revenues obtained by the grantees through leasing agreements. GAO suggested that HUD (1) establish a site inspection system and issue guidelines as part of a leasing approval mechanism and (2) place restrictions on the use of revenues received from leasing open-space land.

REPORTS ISSUED DURING FISCAL YEAR 1972

1. Department of Health, Education, and Welfare

Opportunities for Improving the Southern Monterey County Rural Health Project, King City, California B-130515 7-6-71

GAO reviewed the activities of the Southern Monterey County Rural Health Project under the Comprehensive Health Services Program--a program to find ways to break the cycle in which sickness and poverty reinforce and perpetuate each other. GAO reported, among other things, that HEW should improve its monitoring of Comprehensive Health Services projects to include (1) a new referral and followup system of the outreach program for seeking out and enrolling the poor and providing them with needed health care and information and (2) general project funds, where overpayments and unauthorized payments had been made.

2. Department of Health, Education, and Welfare
Health Services and Mental Health Administration

The Community Mental Health Centers Program--Improvements Needed in Management B-164031(2) 7-8-71

GAO reviewed grants totaling about \$12.6 million to 16 centers in California, Florida, and Pennsylvania that were participating in the Community Mental Health Centers Program--a program to improve mental health services through Federal grant assistance for building and staffing the centers. GAO noted that \$852,000 in grant funds had been used at seven of the centers for unauthorized or questionable purposes. GAO recommended that the Secretary of HEW require the Health Services and Mental Health Administration to improve the administration of the staffing grant program through more comprehensive and timely onsite evaluations of newly established

centers, adequate guidance to centers and review staffs on accountability for grant funds, and other means.

3. Department of Defense

Audit of Payments from Special Fund	B-162578
to Lockheed Aircraft Corporation for	8-9-71
C-5A Aircraft Program	11-17-71
	2-18-72
	5-30-72

GAO issued four reports concerning payments from a special account that had been authorized by the Congress to provide additional funding to Lockheed Aircraft Corporation for development and production of the C-5A aircraft. In its February 18, 1972, report, GAO noted that excessive labor costs had resulted from time spent on supporting activities and idle and unobserved time charged to the contract. As a result of this finding, GAO recommended that the Air Force evaluate the actions taken by the contractor to reduce these costs.

4. Department of Health, Education, and Welfare Office of Education

Need for Improving the	B-164031(1)
Administration of Study	8-16-71
and Evaluation Contracts	

GAO reported that Office of Education (OE) officials considered information which resulted from five of 14 contracts costing \$935,000 to be of limited use. OE entered into these contracts to evaluate Federal education programs. GAO noted that there were weaknesses in OE's administration of the contracts, including OE's failure to closely monitor the contractors' progress and the lack of specific descriptions of work to be performed by the contractors. These weaknesses, GAO concluded, contributed to the failure of the contract studies to produce the desired results. GAO recommended that certain provisions correcting the administrative weaknesses noted be included in a guide for project monitors.

5. Office of Economic Opportunity

Development of Minority Businesses
and Employment in the Hough Area of
Cleveland, Ohio, Under the Special
Impact Program

B-130515
8-17-71

As a result of GAO's review of the Hough Area Special Impact Program--a program to offer the poor an opportunity to become independent and self-supporting--GAO reported that the program, as administered by the Hough Area Development Corporation in Cleveland, had brought few visible benefits to Hough. GAO concluded that the development corporation must maintain the support of the Hough community and demonstrate that it could produce successful projects which would provide tangible benefits to the community. GAO suggested closer contact between OEO and the corporation and monitoring by OEO of future operations of certain corporation projects.

6. Department of Health, Education, and Welfare

Weaknesses in School Districts
Implementation of the Emergency
School Assistance Program

B-164031(1)
9-29-71

GAO reviewed the implementation of the Emergency School Assistance Program for providing aid to school districts to solve special problems arising from desegregation. Although GAO concluded that the school districts' activities generally were directed toward meeting special needs designated by the program, GAO reported that some activities were directed more toward aiding education in general. GAO also reported weaknesses in project implementation during the grant periods. GAO's review indicated a need for HEW to provide effective monitoring to help insure that (1) grant funds made available to school districts were used for specified purposes and (2) the school districts complied with HEW regulations and program requirements.

7. Department of the Navy

Review of Controls over Shipyard	B-133170
Costs and Procurement Practices of	1-13-72
Newport News Shipbuilding and Dry	
Dock Company, Newport News, Virginia	

GAO reviewed the adequacy of controls over shipyard costs and procurement practices as exercised by both the Government and the Newport News Shipbuilding and Dry Dock Company, a subsidiary of Tenneco Corporation. GAO noted, among other things, that the shipyard's procurement practices had not insured that the most competitive prices were obtained, in that the contractor had not always made the necessary effort to identify qualified sources of supply. As a result GAO concluded that the Navy's Supervisor of Shipbuilding, Conversion, and Repair, who is responsible for administering the contracts at the shipyard, should maintain closer surveillance over the contractor's subcontracting activities.

8. Office of Economic Opportunity

Improvements Needed in the	B-130515
Administration of Contracts	12-28-71
for Evaluation and Studies	
of Antipoverty Programs	

GAO's examination of 14 contracts totaling \$3.2 million indicated that 10 contracts had not achieved their purpose--to provide OEO with continuing evaluation of antipoverty programs. GAO attributed this failure to meet objectives to (1) a lack of clear-cut contract specifications, (2) a need for improved monitoring of contractor performance, and (3) a need for evaluating study reports. Among other things, GAO recommended that OEO (1) issue detailed monitoring guidelines and (2) insure continuity in monitoring contractor performance.

9. Department of Labor

Department of Health, Education, and
Welfare

APPENDIX II

Improvements Needed in
Manpower Training at
the Boston Skills Center

B-146879
3-21-72

In a report concerning the Boston Skills Center--one of several manpower-training skills centers established by the Department of Labor and HEW to provide work orientation, basic and remedial education, institutional skill training, counseling, and related services for trainees--GAO noted a need for (1) improved assessment of program results, (2) increased accommodation into the occupational training programs of persons completing prevocational training, (3) proper determination that applicants were disadvantaged, and (4) more adequate counseling of trainees. GAO concluded that appropriate and timely monitoring by Federal and State agencies could have identified many of these needs.

10. Department of the Navy

Controls over Shipyard Costs
and Procurement Practices of
Litton Industries, Inc.,
Pascagoula, Mississippi

B-133170
3-23-72

GAO reviewed the adequacy of controls over shipyard costs and procurement practices as exercised by both the Government and Litton Industries, Inc., Pascagoula, Mississippi. The Navy's Supervisor of Shipbuilding, Conversion, and Repair is responsible for maintaining the Government's surveillance over the contractor's operation, to insure conformance with contractual requirements. GAO's report indicated that adequate surveillance had been maintained over cost-charging practices at Litton but that a need existed for close surveillance of the contractor's subcontracting practices, particularly with regard to (1) correcting subcontract procurement practices and (2) speeding approval of subcontracts.

11. Office of Economic Opportunity

Improvements Needed in Training
and Technical Assistance Services
Provided to Antipoverty Agencies

B-130515
4-26-72

In a report concerning contracts entered into by OEO for providing training and technical assistance to local antipoverty programs, GAO noted that services provided under 11 selected contracts (representing \$4 million) had not satisfied the needs of local antipoverty agencies. GAO concluded that the contractors' failure to provide satisfactory service had resulted from OEO's inadequate contract planning, monitoring, and evaluation. Among other things, GAO recommended that guidelines for these three areas be issued and that an effective monitoring system for these guidelines be implemented.